



ENERGY ASSURANCE DAILY

Friday Evening, August 03, 2012

Major Developments

Update: PHMSA Orders Comprehensive Oil Pipeline-System Review Before Enbridge Can Restart Its 317,600 b/d Line 14 in U.S. Midwest

The U.S. Pipeline and Hazardous Materials Safety Administration (PHMSA) on Thursday added new conditions to the corrective action order it issued to Enbridge Inc. earlier this week, saying the company must submit a plan to improve the safety of its entire 1,900-mile pipeline system in the United States before restarting its Line 14 crude oil pipeline. Enbridge responded that it would submit the new plan by end of the day Thursday, and it added that many of the improvements sought on the U.S. system were already under way. Operators shut and isolated the 24-inch pipeline July 27 after discovering an estimated 1,200 barrels of crude oil had spilled near Grand Marsh, Wisconsin. Line 14 predominantly transports light crude oil to Chicago-area refineries. It is part of Enbridge's Lakehead System, a 2.5 million b/d network that is the main conduit for Canadian crude oil exports. PHMSA's new demands will likely keep the pipeline idled—potentially for months—if regulators require Enbridge to implement reforms, according to industry analysts. A prolonged shutdown could tighten the supply of light, sweet crude oil for Chicago-area refineries. Canadian producers are also concerned a lengthy outage could back up crude supplies in Alberta, forcing them to shut-in production. In the meantime, some of the Line 14 crude has been rerouted to other Enbridge pipelines, but the company said it did not yet know if the outage would force it to ration space for the month.

<http://in.reuters.com/article/2012/08/02/enbridge-idINL2E8J2K7A20120802>

Electricity

Interstate Power and Light Co. Announces Plans to Build 600 MW Combined-Cycle, Natural Gas-Fired Power Plant in Iowa

Interstate Power and Light Company (IPL), a subsidiary of Alliant Energy Corporation, on Thursday outlined the company's energy resources strategy, which includes investments to reduce emissions and increase the efficiency of its existing coal-fired generating fleet, and investments in new natural gas-fired generation. IPL expects to file for regulatory approvals in the fourth quarter 2012 for plans related to the construction of an approximately 600 MW, combined-cycle natural gas-fired generating station in Marshalltown, Iowa. The company expects to receive the appropriate regulatory decisions by the end of 2014. If approved, IPL expects construction to begin after approvals are received with an anticipated in-service date of the generating station in the second quarter 2017.

<http://www.alliantenergy.com/AboutAlliantEnergy/Newsroom/NewsReleases/032087>

AEP Restarts Its Welsh Coal-Fired Unit 2 in Texas August 2 after the Unit Tripped for Unspecified Reasons

American Electric Power (AEP) restarted its Welsh Unit 2 Thursday evening after the unit tripped for unspecified reasons earlier in the day, according to filings with the Texas Commission on Environmental Quality. Emissions related to startup procedures were possible through Saturday evening, the filing said.

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171855>

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171854>

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171856>

Update: Exelon's 1,163 MW Byron Nuclear Unit 1 in Illinois Reduced to 84 Percent by August 3

On the morning of August 2 the unit was operating at 97 percent. Byron nuclear Unit 1 has been operating at reduced power since June 27.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2012/>

PG&E's 407 MW Helms Hydro Unit 1 in California Shut by August 2

The unit entered an unplanned outage.

<http://content.aiso.com/unitstatus/data/unitstatus201208021515.html>

Sycamore Cogeneration's 360 MW Sycamore Natural Gas-Fired Unit in California Reduced by August 2

The unit entered an unplanned curtailment of 130 MW.

<http://content.aiso.com/unitstatus/data/unitstatus201208021515.html>

Petroleum

Update: Impact to Production Unclear as HollyFrontier Assesses Damage after Diesel Hydrotreater Fire at Its 125,000 b/d Tulsa, Oklahoma Refinery August 2

HollyFrontier Corp. was still assessing the damage and impact to operations after a diesel hydrotreater at its Tulsa East refinery caught fire early Thursday, according to a spokeswoman. The facility's emergency response team extinguished the fire about two hours after it broke out, sometime around 2:00 AM local time Thursday. Operators were still investigating the cause. It was unclear Friday afternoon whether the incident has impacted production at the refinery: a refinery manager said the fire did not shut down production, while a spokeswoman declined to say whether the refinery was still operating. HollyFrontier operates two refineries in Tulsa—Tulsa East and Tulsa West. Located within 2 miles of one another, the two refineries are operated as an integrated facility through interconnecting pipelines.

http://www.tulsaworld.com/business/article.aspx?subjectid=49&articleid=20120803_49_E1_CUTLIN534142

<http://www.hydrocarbonprocessing.com/Article/3070990/Latest-News/HollyFrontier-assesses-Tulsa-refinery-fire-damage.html>

Update: Two FCCUs Operating Normally at Sunoco's 335,000 b/d Philadelphia, Pennsylvania Refinery August 2 after Recent Glitches – Source

Two fluid catalytic cracking units (FCCUs) at Sunoco Inc.'s Philadelphia refinery were operating normally Thursday, according to a source familiar with refinery operations. At the Girard Point section of the refinery, operators restarted an FCCU earlier this week. At the Point Breeze section of the refinery, operators slightly cut rates to the FCCU for a brief period on Thursday, the source said, but soon after resumed normal rates. The unit was shut on July 23 due to high vibrations.

Reuters, 13:30 August 2, 2012

Update: SRU Malfunction Leads to Emissions at BP's 225,000 b/d Cherry Point, Washington Refinery July 30

BP Plc reported a sulfur recovery unit (SRU) at its Cherry Point refinery malfunctioned on Monday, according to a filing with the Northwest Clean Air Agency. The south sulfur plant and tail gas Unit 2 tripped offline, sending sulfur into the incinerator, the filing said.

Reuters, 20:16 August 2, 2012

Flange Leak on Hydrogen Line Triggers Flaring at Chevron's 245,271 b/d Richmond, California Refinery August 2

Chevron Corp. reported a flange leak on a hydrogen line triggered a flaring event at its Richmond, California refinery on Thursday, according to a filing with state pollution regulators. Operators depressurized an unspecified unit and fully contained the leak, the filing said.

Reuters, 17:21 August 2, 2012

Western Refining Planning Expansion Projects at Its Refineries in New Mexico and Texas – Executive

Western Refining Inc. on Thursday said it is planning an unspecified expansion project at its 20,800 b/d Gallup, New Mexico refinery, according to an executive during a second quarter-earnings call. Western added up to 6,000 b/d of rail-loading capacity at the refinery 6 months ago. The company said it is also undertaking an expansion project at its 122,000 b/d El Paso, Texas refinery to add from 25,000 to 30,000 b/d of new capacity. Pending necessary permits, the company hopes to launch the project at the end of this year.

Reuters, 12:15 August 2, 2012

Update: Regulators Reviewing Enbridge's Proposed 525,000 b/d Northern Gateway Pipeline Project in Canada Face Time Limits under New Law

Canada's Environment Minister, Peter Kent, has told the National Energy Board (NEB) conducting an environmental review of Enbridge Inc.'s proposed Northern Gateway pipeline project that—under a new law affecting reviews of major projects—it now has a limited time period to finish its work. Enbridge's proposed 525,000 b/d Northern Gateway pipeline project is intended to transport crude oil from tar sands in northern Alberta westward to an export terminal near Kitimat, British Columbia. Under new environmental and regulatory laws that went into effect late last June, reviews of major projects must be limited to 24 months, and interprovincial pipeline reviews must be limited to 18 months. The current review schedule for the Northern Gateway project is expected to last until spring 2013, with a decision on the project made later that year. If approved, the 730-mile pipeline could start operations by 2017. In a letter dated July 6, Kent said his office would soon propose an accelerated review schedule, and he said the final NEB report should stick to conclusions and recommendations that relate strictly to "environmental effects." The new timeline for the Gateway review would be made public "in due course," a spokesman representing Kent said.

http://www.downstreamtoday.com/news/article.aspx?a_id=36893

Sunoco Logistics Passes on East Coast Crude Oil Pipeline, Maintains Focus on Transporting Natural Gas Liquids and Refined Products

Sunoco Logistics on Thursday said it has decided against using some of its legacy pipeline to transport crude oil to the East Coast from the Midwest, maintaining instead its focus on moving natural gas liquids and refined products, according to a spokesman during a second-quarter earnings call. The company may revisit the issue later, he said. The rapid development of crude oil shale plays in the U.S. Midcontinent has led to a call for the development of infrastructure needed to transport crude to East Coast refineries.

<http://in.reuters.com/article/2012/08/02/sunocologistics-crude-eastcoast-idINL2E8J2IEU20120802>

EOG to Drill More Eagle Ford Shale Wells in Texas with Fewer Rigs, Increase Rail Shipments from Bakken Shale in North Dakota to Its St. James, Louisiana Terminal

EOG Resources on Friday said that efficiency improvements will allow it to drill more wells with fewer rigs in the Eagle Ford shale in south Texas this year, according to the company's CEO during a second quarter-earnings call. EOG will reduce the number of rigs from 20 to 24, but it plans to complete 330 wells there this year, 30 more than previously announced. The company reported a 52 percent increase in its total second-quarter oil and gas production over last year, including 103,000 barrels of oil equivalent in the Eagle Ford in June, of which 86 percent was oil. EOG operations in the Eagle Ford shale have been facilitated by the recent start of Enterprise Products Partners' 24-inch, 350,000 b/d crude oil pipeline, which transports Eagle Ford crude to Houston-area refineries. The pipeline has helped EOG divert rail cars to North Dakota to transport the crude oil it produces in the Bakken shale to its St. James terminal. EOG currently ships about 50,000 b/d of crude from North Dakota to Louisiana; it hopes to increase rail volumes to 80,000 b/d at the end of the year.

Reuters, 11:12 August 3, 2012

<http://investor.shareholder.com/eogresources/releasedetail.cfm?ReleaseID=697808>

Natural Gas

Contractor Ruptures 2-Inch PG&E Natural Gas Pipeline at Site of 2010 San Bruno Blast in California August 2

A 2-inch plastic natural gas distribution pipeline owned by Pacific Gas & Electric (PG&E) ruptured Thursday morning when a private contractor struck the pipe with a backhoe. The rupture occurred at the same intersection of the same San Bruno neighborhood where a PG&E natural gas pipeline exploded in 2010, killing eight people and destroying 38 homes. A PG&E spokeswoman on Thursday said utility crews stopped the natural gas flow from the ruptured pipe by noon that day. Fourteen homes were evacuated for about 30 minutes, largely because the wind began to pick up in the area.

http://www.cadillacnews.com/ap_story/?story_id=18380&issue=20120802&ap_cat=1

Field Unit Shuts, Leads to Flaring at Southern Union's 140 MMcf/d Keystone Gas Plant in Texas August 2

Southern Union Gas Services reported an Emperor field unit went down Thursday afternoon and would not carry a load, according to a filing with the Texas Commission on Environmental Quality. Operators put the field unit back online later that night, the filing said.

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171858>

Amine Unit Upset Leads to Emissions at Devon's 65 MMcf/d Jameson Gas Plant in Texas August 1

Devon Gas Services LP reported an amine unit upset at its Jameson plant Wednesday morning resulted in excess residue gas and ethane/propane liquids emissions, according to a filing with the Texas Commission on Environmental Quality.

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171853>

WTP Gas Reports Compressor Malfunction, Flaring at Its 50 MMcf/d East Vealmoor Gas Plant in Texas August 1

WTP Gas Processing LP reported it was flaring residue gas at its East Vealmoor plant Wednesday because the residue gas transmission line that the plant feeds into was close to maximum operating capacity and a refrigeration compressor had shut down due to a malfunction, according to a filing with state regulators.

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171852>

Acid Gas Injector Unit 1 Shuts Due to First-Stage Suction Pressure at Enbridge's Tilden Gas Plant in Texas August 2

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171847>

Other News

U.S. Lawmakers Ask EPA to Reduce Its Production Mandate for Ethanol as Continued Drought Impacts U.S. Livestock Producers, Food Manufacturers

More than a hundred members of the U.S. House of Representatives are calling on the U.S. Environmental Protection Agency (EPA) to reduce its production mandate for corn-based ethanol, in an effort to bring down prices for the grain that have surged during a drought that has reduced the yield potential of developing crops. The lawmakers, who have drafted a letter to the EPA that they intend to send soon, are appealing on behalf of U.S. livestock producers and food manufacturers impacted by the increased costs. Earlier this week, a coalition of U.S. livestock producers petitioned the EPA to temporarily reduce or cancel its Renewable Fuels Standard, which requires about 15 billion gallons of ethanol be blended into gasoline this year. More than a third of the corn produced in the United States goes into ethanol production.

<http://www.hydrocarbonprocessing.com/Article/3070602/Latest-News/US-lawmakers-ask-EPA-to-cut-production-mandate-for-corn-based-ethanol.html>

http://www.downstreamtoday.com/news/article.aspx?a_id=36894

International News

Brazil Court Orders Chevron, Transocean to Stop Drilling and Transportation Operations until Investigations into Two Offshore Oil Spills Are Complete

A federal court in Brazil has given Chevron Corp. and driller Transocean Ltd. 30 days to suspend all petroleum drilling and transportation operations in Brazil until investigations into two oil spills off the coast of Rio de Janeiro are completed, according to a statement on Wednesday. Each company will be fined for each day that it fails to comply with the suspension. Chevron said in an emailed statement it planned to appeal the court's decision, and Transocean said in a statement the case was without merit. Earlier this year, Brazilian authorities banned Chevron from any new drilling or water-injection activities at working wells in the country. Chevron's developing the Frade and Papa-Terra deepwater fields offshore Brazil. During 2011, total daily production averaged 71,000 barrels of crude oil (33,000 net) and 28 million cubic feet of natural gas (13 million net). Transocean operates about 10 drilling platforms in Brazil for Chevron, Petrobras, and other oil and gas producers.

<http://www.chevron.com/countries/brazil/businessportfolio/>

<http://finance.yahoo.com/news/court-orders-chevron-stop-drilling-154234672.html>

<http://www.reuters.com/article/2012/08/01/chevron-brazil->

[idUSL2E8J1DAM20120801?feedType=RSS&feedName=rbssEnergyNews&rpc=43](http://www.reuters.com/article/2012/08/01/chevron-brazil-idUSL2E8J1DAM20120801?feedType=RSS&feedName=rbssEnergyNews&rpc=43)

<http://www.bloomberg.com/news/2012-08-01/transocean-considers-halt-order-keeps-working-in-brazil.html?cmpid=yahoo>

Energy Prices

U.S. Oil and Gas Prices			
August 3, 2012			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	91.23	90.14	91.50
NATURAL GAS Henry Hub \$/Million Btu	3.16	3.13	4.30

Source: Reuters

Links

This Week in Petroleum from the U.S. Energy Information Administration (EIA)

<http://www.eia.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM and 1:00 PM Eastern Time every Wednesday.

Natural Gas Weekly Update from EIA

<http://www.eia.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM Eastern Time every Thursday.

ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/ead.aspx>

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